



# CITY OF LODI COUNCIL COMMUNICATION

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**AGENDA TITLE:** Set Public Hearing for September 19, 2007 to introduce the *Lodi Solar Rebate Program*, to become effective January 1, 2008 (EUD)

**MEETING DATE:** September 5, 2007

**PREPARED BY:** Electric Utility Director

**RECOMMENDED ACTION:** Set a Public Hearing for September 19, 2007 to introduce the *Lodi Solar Rebate Program*, to become effective January 1, 2008.

**BACKGROUND INFORMATION:** Senate Bill (SB) 1, otherwise known as the 'California Solar Initiative' or CSI, was enacted into state law in August 2006. In short, the CSI requires ALL electric service providers in the state to maintain a rebate program for the installation of eligible\* photovoltaic/solar systems on residential, commercial and industrial customer sites. The official start date of the CSI is January 1, 2008, and the program is mandated for 10 consecutive years. The new law requires utilities, like Lodi Electric Utility, to present its proposed solar rebate program to its governing board prior to the start-up date in January of 2008. The CSI also requires utilities to provide a rebate of no less than \$2.80/watt in year one, and then, the rebate level drops by 7% each year thereafter.

The state-wide municipal utility share of the CSI for ten years is \$784 million, as established by the legislation. Lodi's municipal utility percentage share of the CSI is 0.79%, which is approximately \$6 million over ten years, based on energy sales during fiscal year 2005-2006. Lodi's obligation to provide rebates for the CSI are limited to this amount. The proposed Lodi Solar Rebate Pilot Program would budget and limit expenditures for this program at \$600,000 per year.

In order to distribute the available rebate dollars in a fair and equitable manner, the following is being recommended:

- utilize the 2008 calendar year (or year one of the CSI) as a pilot project year; staff will report back to Council in January 2009 on how the first year program has progressed, and recommend any changes at that time;
- distribute the first year program rebate budget by 2006 calendar year utility megawatt hour sales by customer class; thus for 2008, this would mean 25% of the \$600,000 budget be allocated for residential rebates (equaling \$150,000) and 75% for all non-residential rebates (equaling \$450,000);
- approval of proposed program specifics as per attachment A; and
- provide rebates on a first-come, first-served basis; should any particular customer class NOT utilize funding by November 1, 2008, then customers from another rate class may access those rebate funds.

APPROVED: \_\_\_\_\_  
Blair King, City Manager

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\*Eligible solar projects: under the new state law, ALL solar systems must have a minimum warranty of 20 years; this warranty must cover both the photovoltaic/solar panels as well as the system inverter.

**FISCAL IMPACT:** The Electric Utility will spend up to \$600,000 per calendar year to implement the state-mandated solar rebate program in Lodi.

**FUNDING:** Electric Utility is proposing a rate surcharge to fund this state-mandated program without impact on any other programs.

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Kirk Evans, Budget Manager

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George F. Morrow  
Electric Utility Director

Prepared By: Rob Lechner, Manager, Customer Service & Programs

GFM/RSL/lst

Attachment

## **Lodi Solar Rebate Pilot Project**

- Effective date: January 1, 2008 to December 31, 2017
- Annual rebate/incentive budget: \$600,000
- Rebates only provided for systems installed AFTER January 1, 2008 forward
- Rebates provided *after* system is installed and confirmed operational by Electric Utility Department
- Customer may apply for a rebate before installation. A rebate application will hold the customer's place in line for available funds for up to sixty (60) days AFTER receipt of rebate application (if system is NOT installed, approved and operational within the 60 day period, customer must re-apply for rebate funding)
- Rebate starts @ \$2.80/watt (year 1); decreases by 7% each year after
- Maximum rebate is up to \$375,000 per system, with a cap payment of \$75,000 per customer per year until entire rebate commitment is paid\*
- Panels installed per LEU engineering specifications
- Should any rate class (residential or non-residential) fail to utilize funding by November 1, 2008, then customers from another rate class may access those rebate funds
- **Residential Customers\*\*:**
  - customer must consent to on-site energy audit
- **ALL Non-Residential Customers:**
  - customer is encouraged to conduct on-site energy audit

\* Example ONE: if a customer installs a 100 kW system in year 1 of the program, the total rebate would be \$280,000; the first rebate installment would be \$75,000, second installment would be \$75,000, third installment would be \$75,000, and fourth installment would be \$55,000

Example TWO: if a customer installs a 100 kW system in year 8 of the program, the total rebate would be \$167,000 (rebate level decreases by 7% annually; in year 8 of the program, the rebate level is \$1.67/watt); the first rebate installment would be \$75,000, the second installment would be \$75,000 and the third installment would be \$17,000

Example THREE: if a customer installs a 100 kW system in year 9 of the program, the total rebate would be \$155,000 (rebate level decreases by 7% annually; in year 9 of the program, the rebate level is \$1.55/watt); the first rebate installment would be \$75,000, the second installment would be \$75,000 and there would NOT be a third installment (\$5,000) because the program would be concluded

\*\* Systems larger than 10kW do not qualify for net metering; these systems will be charged using co-metering